BIOMERICA INC
Form 10-Q
April 14, 2015

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED FEBRUARY 28, 2015

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File Number: 0-8765

BIOMERICA, INC.

(Exact name of registrant as specified in its charter)

Delaware
95-2645573

(State or other jurisdiction of
(I.R.S. Employer
incorporation or organization)
Identification No.)

17571 Von Karman Avenue, Irvine, CA 92614

(Address of principal executive offices) (Zip Code)

Registrant's telephone number including area code: (949) 645-2111

(Former name, former address and former fiscal year, if changed since last report.)

(TITLE OF EACH CLASS) (NAME OF EACH EXCHANGE ON WHICH REGISTERED)

Common, par value $.08 OTC-BULLETIN BOARD

Securities registered pursuant to Section 12(g) of the Act:

(TITLE OF EACH CLASS)
COMMON STOCK, PAR VALUE $0.08

Indicate by check whether the registrant (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes [X] No [_]

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Date File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (paragraph 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes [X] No [_]

Indicate by check mark whether the registrant is a large accelerated, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer", "accelerated filer", and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer [_] Accelerated Filer [_]

Non-Accelerated Filer [_] Smaller Reporting Company [X]

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Act).

Yes [_] No [X]

Indicate the number of shares outstanding of each of the registrant's common stock, as of the latest practicable date: 7,554,714 shares of common stock, par value $0.08, as of April 14, 2015.

BIOMERICA, INC.

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PART I - FINANCIAL INFORMATION
SUMMARIZED FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS

BIOMERICA, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
AND COMPREHENSIVE (LOSS)INCOME (UNAUDITED)

	Nine Months Ended February 28,		Three Months Ended February 28,	
	2015	2014	2015	2014
Net sales	$ 3,467,450	$ 3,441,299	$ 1,299,400	$ 1,492,719
Cost of sales	(2,391,464)	(2,346,803)	(840,568)	(914,157)
Gross profit	1,075,986	1,094,496	458,832	578,562

Operating Expenses:

Selling, general and
administrative 1,123,0731,114,872409,737
and development

562,420

368,222

184,632

140,177

Total operating expenses

1,685,493

1,483,094

594,369

545,945

(Loss) income from operations

(609,507)

(388,598) (135,537) 32,617Other
Income (Expense):

Dividend and interest
income

18,421

13,681

1,724

3,482

Interest expense

(17)

(80)

-

(20)

Total other income

18,404

13,601

1,724

3,462

(Loss)
income before income tax

(591,103)

(374,997)

(133,813)

36,079

Credit (provision) for income taxes

16,620

(9,535)

16,620

(9,535)

Net (loss) income$

(574,483)

$

(384,532)

$

(117,193)

$

26,544

Basic net (loss) income per common share $

(0.08)

$

(0.05)

$

(0.02)

$

0.00

Diluted net (loss) income per common

share	$ (0.08)	$ (0.05)	$ (0.02)	$ 0.00
Weighted average number of common and common equivalent shares:				
Basic	7,551,447	7,310,872	7,554,603	7,378,403
Diluted	7,551,447	7,310,872	7,554,603	7,731,252
Net (loss) income	$ (574,483)	$		

(384,532)

$

(117,193)

$

26,544

Other comprehensive loss, net of tax: Foreign currency translation

(1,987)

(1,114)

(308)

(1,110)

Comprehensive (loss) income $

(576,470)

$

(385,646)

$

(117,501)

$

25,434

The accompanying notes are an integral part of these statements.

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BIOMERICA, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

	February 28, 2015 (unaudited)	May 31, 2014 (audited)
Assets		
Current Assets: Cash and cash equivalents	$1,171,689	$1,509,125
Accounts receivable, less allowance for doubtful accounts of $17,007 and $30,000 as of February 28, 2015 and May 31, 2014,respectively	931,394	1,447,705
Inventories, net	2,110,798	1,765,772
Prepaid expenses and other	130,093	103,572
Deferred tax assets, current portion	87,000	87,000
Total current assets	4,430,974	4,913,174
Property and Equipment, net of accumulated depreciation and amortization of $1,282,017 and $1,160,934 as of February 28, 2015 and May 31, 2014, respectively		

.485,421614,337Deferred Tax Assets, net of current portion

359,000

359,000

Investments

165,324

165,324

Intangible Assets, net

339,983

382,181

Other Assets 51,085 36,297Total Assets $

5,831,787

$

6,470,313

Liabilities and Shareholders' EquityCurrent Liabilities:

Accounts payable and accrued expenses $

352,945

$

441,681

Accrued compensation

130,425

114,163

Total current liabilities

483,370

555,844

Commitments and Contingencies (Note 5)Shareholders' Equity: Preferred stock, no par value authorized 5,000,000 shares, none issued and none outstanding at February 28, 2015 and May 31, 2014

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Common stock, $0.08 par value authorized 25,000,000 shares, issued and outstanding 7,554,714 and 7,543,714 at February 28, 2015 and May 31, 2014, respectively 604,376603,496

Additional paid-in-capital

18,318,692

18,309,154

Accumulated other comprehensive loss (12,136)(10,149)

Accumulated deficit

(13,562,515)

(12,988,032)

Total Shareholders' Equity 5,348,417 5,914,469Total Liabilities and Shareholders' Equity $

5,831,787

$

6,470,313

The accompanying notes are an integral part of these statements.

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BIOMERICA, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	Nine Months Ended February 28, 2015	2014
Cash flows from operating activities:		
Net (loss)	$ (574,483)	$ (384,532)
Adjustments to reconcile net (loss) to net cash (used in)operating activities:		
Depreciation and amortization	192,670	148,624
Stock option expense	6,063	11,003
Change in provision for losses on accounts receivable	(12,993)	4,675
Gain on disposal of fixed asset	(665)	--
Inventory reserve	7,328	(6,713)
Decrease in deferred rent liability		

	(14,834)	(10,109)
Changes in assets and liabilities: Accounts receivable	529,304	(304,783)
Inventories	(352,354)	(360,407)
Prepaid expenses and other assets	(26,521)	55,671
Accounts payable and other accrued expenses	(73,902)	81,323
Other assets	(14,788)	--
Accrued compensation	16,262	(87,654)
Net cash (used in) operating activities	(318,913)	(852,902)
Cash flows from investing activities: Proceeds from sale of equipment		

1,900

--

Increases in intangibles

(14,135)

--

Purchases of property and equipment

(8,656)

(117,365)

Net cash used in investing activities

(20,891)

(117,365)

Cash flows from financing activities: Proceeds from sale of common stock

--

150,000

Proceeds from exercise of stock options

4,355

17,275

Net cash provided by financing activities

4,355

167,275

Effect of exchange rate changes in cash

(1,987)

(1,114)

Net decrease in cash and cash equivalents	(337,436)	(804,106)
Cash and cash equivalents at beginning of period	1,509,125	2,469,796
Cash and cash equivalents at end of period	$ 1,171,689	$ 1,665,690
Supplemental Disclosure of Cash-Flow Information: Cash paid during the period for: Interest	$ 17	$ 80
Income taxes	$ 800	$ 9,535
Non-Cash investment disclosure: Payment of international regulatory approval fees in Exchange for $100,000 due on agreement to purchase Biomerica restricted stock	$ --	$ 100,000

The accompanying notes are an integral part of these statements.

BIOMERICA, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Note 1: Basis of Presentation

The information set forth in these condensed consolidated statements is unaudited and reflects all adjustments which, in the opinion of management, are necessary to present a fair statement of the consolidated results of operations of Biomerica, Inc. and subsidiaries (the Company), for the periods indicated. It does not include all information and footnotes necessary for a fair presentation of financial position, results of operations, and cash flows in conformity with generally accepted accounting principles. All adjustments that were made are of a normal recurring nature.

The unaudited Condensed Consolidated Financial Statements and Notes are presented as permitted by the requirements for Form 10-Q and do not contain certain information included in our annual financial statements and notes. The condensed consolidated balance sheet data as of May 31, 2014 was derived from audited financial statements. The accompanying interim condensed consolidated financial statements should be read in conjunction with the financial statements and related notes included in our Annual Report on Form 10-K filed with the Securities and Exchange Commission (SEC) on August 29, 2014 for the fiscal year ended May 31, 2014. The results of operations for our interim periods are not necessarily indicative of results to be achieved for our full fiscal year.

Note 2: Significant Accounting Policies

Principles of Consolidation

The condensed consolidated financial statements include the accounts of Biomerica, Inc. as well as the Company s German subsidiary and Mexican subsidiary which have limited operations. All significant intercompany accounts and transactions have been eliminated in consolidation.

Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. Actual results could materially differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents consist of demand deposits and money market accounts with original maturities of less than three months.

Accounts Receivable

The Company extends unsecured credit to its customers on a regular basis. International accounts are required to prepay until they establish a history with the Company and at that time, they are extended credit at levels based on a number of criteria. Credit levels are approved by designated upper level management. Domestic customers are extended initial credit limits until they establish a history with the Company or submit credit information. All increases in credit limits are also approved by designated upper level management. Management evaluates receivables on a quarterly basis and adjusts the reserve for bad debt accordingly. Balances over ninety days old are reserved for unless collection is reasonably assured. Any charge-offs are approved by upper level management prior to charging off.

Occasionally certain long-standing customers, who routinely place large orders, will have unusually large accounts receivables balances relative to the total gross accounts receivables. At February 28, 2015, one customer accounted for 34.2% of the Company s outstanding gross receivable balance and one foreign customer accounted for 8.2% and 21.9% of the Company s net sales for the three and nine months ended February 28, 2015, respectively. Management monitors the payments for these large balances closely and very often requires payment of existing invoices before shipping new sales orders.

-

Inventories

The Company values inventory at the lower of cost (determined using a combination of specific lot identification and the first-in, first-out methods) or market. Management periodically reviews inventory for excess quantities and obsolescence. Management evaluates quantities on hand, physical condition, and technical functionality as these characteristics may be impacted by anticipated customer demand for current products and new product introductions. The reserve is adjusted based on such evaluation, with a corresponding provision included in cost of sales. Abnormal amounts of idle facility expenses, freight, handling costs and wasted material are recognized as current period charges and the allocation of fixed production overhead is based on the normal capacity of the Company s production facilities.

The approximate balances of inventories are the following at:

		February 28, 2015		May 31, 2014
Raw materials	$	1,009,000	$	899,000
Work in progress		898,000		635,000
Finished products		204,000		232,000
Total	$	2,111,000	$	1,766,000

Reserves for inventory obsolescence are reduced as necessary to reduce obsolete inventory to estimated realizable value or to specifically reserve for obsolete inventory that the Company intends to dispose of.

Property and Equipment

Property and equipment are stated at cost. Expenditures for additions and major improvements are capitalized. Repairs and maintenance costs are charged to operations as incurred. When property and equipment are retired or otherwise disposed of, the related cost and accumulated depreciation or amortization is removed from the accounts, and gains or losses from retirements and dispositions are credited or charged to income.

Depreciation and amortization are provided over the estimated useful lives of the related assets, ranging from 5 to 10 years, using the straight-line method. Leasehold improvements are amortized over the lesser of the estimated useful life of the asset or the term of the lease. Depreciation and amortization expense on property and equipment and leasehold improvements amounted to $46,819 and $45,283 for the three months ended February 28, 2015 and 2014, and $136,337 and $131,514 for the nine months ended February 28, 2015 and 2014, respectively.

Intangible Assets

Intangible assets include trademarks, product rights, licenses, technology rights and patents, and are accounted for based on Accounting Standards Codification ASC 350 *Intangibles Goodwill and Other* (ASC 350). In that regard, intangible assets that have indefinite useful lives are not amortized but are tested at least annually for impairment or more frequently if events or changes in circumstances indicate that the asset might be impaired. Intangible assets are being amortized using the straight-line method over the useful life; not to exceed 18 years for marketing and distribution rights, 10 years for purchased technology use rights, licenses, and 17 years for patents. Amortization amounted to $19,674 and $5,989 for the three months ended February 28, 2015 and 2014, respectively, and $56,333 and $17,110 for the nine months ended February 28, 2015 and 2014, respectively.

Stock-Based Compensation

The Company follows the guidance of the accounting provisions of ASC 718 *Share-based Compensation* (ASC 718), which requires the use of the fair-value based method to determine compensation for all arrangements under which employees and others receive shares of stock or equity instruments (warrants and options). The fair value of each option award is estimated on the date of grant using the Black-Scholes valuation model that uses assumptions for expected volatility, expected dividends, expected forfeiture rate, expected term, and the risk-free interest rate.

Expected volatilities are based on weighted averages of the historical volatility of the Company s stock and other factors estimated over the expected term of the options. The expected forfeiture rate is based on historical forfeitures experienced. The expected term of options granted is derived using the simplified method which computes expected term as the average of the sum of the vesting term plus the contract term as historically the Company had limited activity surrounding its options. The risk-free rate is based on the U.S. Treasury yield curve in effect at the time of grant for the period of the expected term.

The following summary presents the options and warrants granted, exercised, expired, cancelled and outstanding as of February 28, 2015:

	Option Shares		Exercise Price Weighted Average
Outstanding May 31, 2014	860,500	$	0.51
Granted	356,000		0.82
Exercised	(11,000)		0.40
Cancelled or expired	(35,500)		0.73
Outstanding February 28, 2015	1,170,000	$	0.60

In September 2014 options to purchase 24,500 shares of the Company s common stock were granted at the exercise price of $0.85.

In February 2015 options to purchase 331,500 shares of the Company s common stock were granted at the exercise price of $0.82.

In the nine months ended February 28, 2015, options to acquire 11,000 shares of the Company s common stock were exercised at exercise prices ranging from $0.38 to $0.43 per share. Net proceeds to the Company were $4,355.

Revenue Recognition

Revenues from product sales are recognized at the time the product is shipped, customarily FOB shipping point, at which point title passes. An allowance is established when necessary for estimated returns as revenue is recognized. In conjunction with sales to certain customers, the Company provides free products upon attaining certain levels of purchases by the customer. The Company accounts for these free products in accordance with ASC 605-50 *Revenue Recognition Customer Payments and Incentives* and recognizes the cost of the product as part of cost of sales.

Investments

From time-to-time, the Company makes investments in privately-held companies. The Company determines whether the fair values of any investments in privately-held entities have declined below their carrying value whenever adverse events or changes in circumstances indicate that recorded values may not be recoverable. If the Company considers any such decline to be other than temporary (based on various factors, including historical financial results, and the overall health of the investee s industry), a write-down to estimated fair value is recorded. The Company currently has not written down the investment and no events have occurred which could indicate the carrying value to be less than the fair value. Investments represent the Company s investment in a Polish distributor which is primarily engaged in distributing medical devices. The Company owns approximately 6% of the investee, and accordingly, applies the cost method to account for the investment. Under the cost method, investments are recorded at cost, with gains and losses recognized as of the sale date, and income recorded when received.

Shipping and Handling Fees and Costs

Shipping and handling fees billed to customers are classified as net sales, and shipping and handling costs are classified as cost of sales. The Company included shipping and handling costs associated with inbound freight and unreimbursed shipping to customers in cost of sales.

Research and Development

Research and development costs are expensed as incurred.

Income Taxes

The Company has provided a valuation allowance on deferred tax assets of approximately $236,000 as of February 28, 2015 and $0 as of May 31, 2014. The Company did not record any income tax benefit for the nine months ended February 28, 2015, however, the Company did record a tax refund receivable of $17,420 during the three and nine month period ended February 28, 2015.

Foreign Currency Translation

The subsidiary located in Germany is accounted for primarily using local functional currency. Accordingly, assets and liabilities of this subsidiary are translated using exchange rates in effect at the end of the period, and revenues and costs are translated using average exchange rates for the period. The resulting adjustments are presented as a separate component of accumulated other comprehensive loss.

Deferred Rent

Incentive payments received from landlords are recorded as deferred lease incentives and are amortized over the underlying lease term on a straight-line basis as a reduction of rent expense. When the terms of an operating lease provide for periods of free rent, rent concessions, and/or rent escalations, the Company establishes a deferred rent liability for the difference between the scheduled rent payment and the straight-line rent expense recognized. This deferred rent liability is amortized over the underlying lease term on a straight-line basis as a reduction of rent expense.

Net Income (Loss) Per Share

Basic earnings (loss) per share are computed as net income (loss) divided by the weighted average number of common shares outstanding for the period. Diluted earnings per share reflect the potential dilution that could occur from common shares issuable through stock options, warrants and other convertible securities. The total amount of anti-dilutive warrants or options not included in the earnings per share calculation for the three and nine months ended February 28, 2015 was 364,319 and 403,524, respectively. The total amount of anti-dilutive warrants or options not included in the earnings per share calculation for the nine months ended February 28, 2014 was 359,013.

The following table illustrates the required disclosure of the reconciliation of the numerators and denominators of the basic and diluted earnings per share computations.

	Nine Months Ended February 28,		Three Months Ended February 28,	
	2015	2014	2015	2014
Numerator:				
(Loss)income from continuing operations	$ (574,483)	$ (384,532)	$ (117,193)	$ 26,544
Denominator for basic net(loss) income Per common share	7,551,447	7,310,872	7,554,603	7,378,403
Effect of dilutive securities:				
Options and warrants	--	--	--	352,849
Denominator for diluted net (loss) income per common share	7,551,447	7,310,872	7,554,603	7,731,252
Basic net (loss) income per common share	$ (0.08)	$ (0.05)	$ (0.02)	$ 0.00
Diluted net (loss) income per common share	$ (0.08)	$ (0.05)	$ (0.02)	$ 0.00

New Accounting Pronouncements

In May 2014, the FASB issued ASU 2014-09 Revenue from Contracts with Customers (ASU 2014-09). ASU 2014-09 is a comprehensive new revenue recognition model requiring a company to recognize revenue to depict the transfer of goods or services to a customer at an amount reflecting the consideration it expects to receive in exchange for those goods or services. In adopting, ASU 2014-09, companies may use either a full retrospective or a modified retrospective approach. ASU 2014-09 is effective for the first interim period within annual reporting periods beginning December 15, 2016, and early adoption is not permitted. Management is evaluating the provisions of this statement and has not determined what impact the adoption of ASU 2014-09 will have on the Company s financial position or results of operations.

Other recent ASU s issued by the FASB and guidance issued by the Securities and Exchange Commission did not, or are not believed by management to have a material effect on the Company s present or future consolidated financial statements.

Note 3: Accounts Payable and Accrued Expenses

The Company s accounts payable and accrued expense balances consist of the following at:

	February 28, 2015	May 31, 2014
Accounts payable and accrued expenses	$ 311,799	$ 385,701
Deferred rent	41,146	55,980
Total	$ 352,945	$ 441,681

Note 4: Geographic Information

Financial information about foreign and domestic operations and export sales is as follows:

	Nine Months Ended February 28, 2015	Nine Months Ended February 28, 2014	Three Months Ended February 28, 2015	Three Months Ended February 28, 2014
Revenues from sales to unaffiliated customers:				
United States	$ 784,000	$ 951,000	$ 310,000	$ 446,000
Asia	494,000	599,000	375,000	383,000
Europe	2,031,000	1,797,000	587,000	598,000
South America	8,000	12,000	3,000	5,000
Middle East	136,000	65,000	23,000	45,000
Other	14,000	17,000	1,000	16,000
	$ 3,467,000	$ 3,441,000	$ 1,299,000	$ 1,493,000

No other geographic concentrations exist where net sales exceed 10% of total net sales.

Note 5: Commitments and Contingencies

In March 2014, the Company renewed the line of credit (the "Line") with its bank with a borrowing limit of $250,000. The line was secured by substantially all of the Company s assets, bears interest at 2.0% plus the Wall Street Journal Prime West Coast Edition prime rate. At February 28, 2015 the Company had not drawn any funds on the line. On March 21, 2015, the line of credit expired.

On June 18, 2009, the Company entered into an agreement to lease a building in Irvine, California. The lease commenced September 1, 2009 and ends August 31, 2016. The initial base rent was set at $18,490 per month with scheduled annual increases through the end of the lease term. The rent is currently set at $21,437 per month.

Note 6: Subsequent Events

On March 21, 2015, the Company s line of credit in the amount of $250,000 expired.

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

CERTAIN INFORMATION CONTAINED HEREIN (AS WELL AS INFORMATION INCLUDED IN ORAL STATEMENTS OR OTHER WRITTEN STATEMENTS MADE OR TO BE MADE BY BIOMERICA) CONTAINS STATEMENTS THAT ARE FORWARD-LOOKING, SUCH AS STATEMENTS RELATING TO ANTICIPATED FUTURE REVENUES OF THE COMPANY AND SUCCESS OR CURRENT PRODUCT OFFERINGS. SUCH FORWARD-LOOKING INFORMATION INVOLVES IMPORTANT RISKS AND UNCERTAINTIES THAT COULD SIGNIFICANTLY AFFECT ANTICIPATED RESULTS IN THE FUTURE, AND ACCORDINGLY, SUCH RESULTS MAY DIFFER MATERIALLY FROM THOSE EXPRESSED IN ANY FORWARD-LOOKING STATEMENTS MADE BY OR ON BEHALF OF BIOMERICA. THE POTENTIAL RISKS AND UNCERTAINTIES INCLUDE, AMONG OTHERS, FLUCTUATIONS IN THE COMPANY'S OPERATING RESULTS. THESE RISKS AND UNCERTAINTIES ALSO INCLUDE THE SUCCESS OF THE COMPANY IN RAISING NEEDED CAPITAL, THE ABILITY OF THE COMPANY TO MAINTAIN REQUIREMENTS TO BE LISTED ON NASDAQ, THE CONTINUAL DEMAND FOR THE COMPANY'S PRODUCTS, COMPETITIVE AND ECONOMIC FACTORS OF THE MARKETPLACE, AVAILABILITY OF RAW MATERIALS, HEALTH CARE REGULATIONS AND THE STATE OF THE ECONOMY. READERS ARE CAUTIONED NOT TO PLACE UNDUE RELIANCE ON THESE FORWARD-LOOKING STATEMENTS, WHICH SPEAK ONLY AS OF THE DATE HEREOF, AND THE COMPANY UNDERTAKES NO OBLIGATION TO UPDATE THESE FORWARD-LOOKING STATEMENTS.

OVERVIEW

Biomerica, Inc. and Subsidiaries ("Biomerica", the "Company", "we" or "our") develops, manufactures, and markets medical diagnostic products designed for the early detection and monitoring of chronic diseases and medical conditions. Our medical diagnostic products are sold worldwide in two markets: 1) clinical laboratories and 2) point of care (physicians' offices and over-the-counter drugstores). Our diagnostic test kits are used to analyze blood or urine from patients in the diagnosis of various diseases and other medical complications, or to measure the level of specific hormones, antibodies, antigens or other substances, which may exist in the human body in extremely small concentrations.

RESULTS OF OPERATIONS

Consolidated net sales for Biomerica were $1,299,400 for the three months ended February 28, 2015 as compared to $1,492,719 for the same period in the previous year. This represents a decrease of $193,319 or 13.0%. The decrease for the three month period was primarily due to decreased domestic sales of the EZ Detect product due to lower screening program sales in fiscal 2015. For the nine month periods ended February 28, 2015 as compared to February 28, 2014, net sales were $3,467,450 as compared to $3,441,299, an increase of $26,151, or 0.8%. Although sales in Europe increased by $234,000 in this period compared to the prior fiscal year, this was offset by lower screening program sales and lower sales to Asia, which declined as a result of restructuring of the Chinese distribution channel in the earlier quarters of fiscal 2015.

For the three months ended February 28, 2015 as compared to 2014, cost of sales increased as a percentage of sales from 61.2% of sales or $914,157, to 64.7% of sales, or $840,568. For the nine months ended February 28, 2015 as compared to 2014, cost of sales as a percentage of sales increased from 68.2% of sales or $2,346,803, to 69.0% of sales or $2,391,464. The increase in cost of sales as a percentage of sales was primarily a result of the lower sales volume.

For the three months ended February 28, 2015 compared to 2014, selling, general and administrative costs increased by $3,969, or 1.0%. For the nine month periods ended February 28, 2015 as compared to 2014, general and administrative costs increased by $8,201, or 0.7%.

For the three months ended February 28, 2015 compared to 2014, research and development expenses increased by $44,455, or 31.7%. For the nine month period ended February 28, 2015 as compared to February 28, 2014, these expenses increased by $194,198, or 52.7%. The increase for both periods was due to research being done related to new products, regulatory approvals and patent application preparation.In April 2015 the Company established a Scientific Advisory Board chaired by Douglas A. Drossman, M.D. and comprised of 3 other key leaders in the field of Gastroenterology and Irritable Bowel Syndrome. The board s goal will be to help guide the Company in its endeavors to receive regulatory approvals related to its new test intended to aid in the treatment of irritable bowel syndrome.

For the three months ended February 28, 2015 as compared to 2014, dividend and interest income and interest expense decreased by $1,738 and for the nine months increased by $4,803.

LIQUIDITY AND CAPITAL RESOURCES

As of February 28, 2015 and May 31, 2014, the Company had cash and cash equivalents in the amount of $1,171,689 and $1,509,125 and working capital of $3,947,604 and $4,357,330, respectively.

During the nine months ended February 28, 2015, the Company s operations used cash of $318,915 compared to $852,902 in the same period of the prior fiscal year. Cash used in operations in fiscal 2015 was a result of the net loss of $574,483, increases of $352,354 in inventory, and decreases of accounts payable and other accrued expenses in the amount of $73,902, which was offset by collection of trade accounts receivable of $529,304 and depreciation and amortization of $192,670. Cash used in investing activities in the nine months ended February 28, 2015 was $20,891 compared to the nine months ended February 28, 2014 of $117,365. The cash used in the period ended February 28, 2014 was due to $117,365 in equipment that was purchased.

On March 21, 2015, the Company s $250,000 line of credit agreement expired.

The Company has been working on a new product for the gastroenterology market. Patent applications for the new product have already been filed and additional patent costs are expected. In addition, the Company is investigating the possibility of U.S. regulatory approval. Should the company decide to seek such regulatory approval in the U.S., the costs could be substantial.

OFF BALANCE SHEET ARRANGEMENTS - None.

CRITICAL ACCOUNTING POLICIES

The preparation of condensed consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires us to make a number of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Such estimates and assumptions affect the reported amounts of revenues and expenses during the reporting period. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances. Actual results may differ materially from these estimates under different assumptions or conditions. We continue to monitor significant estimates made during the preparation of our financial statements. On an ongoing basis, we evaluate estimates and assumptions based upon historical experience and various other factors and circumstances. We believe our estimates and assumptions are reasonable in the circumstances; however, actual results may differ from these estimates under different future conditions.

We believe that the estimates and assumptions that are most important to the portrayal of our financial condition and results of operations, in that they require subjective or complex judgments, form the basis for the accounting policies deemed to be most critical to us. These relate to revenue recognition, bad debts, inventory overhead application, and inventory reserve. We believe estimates and assumptions related to these critical accounting policies are appropriate under the circumstances; however, should future events or occurrences result in unanticipated consequences, there could be a material impact on our future financial conditions or results of operations. We suggest that our significant accounting policies be read in conjunction with this Management s Discussion and Analysis of Financial Condition and Results of Operations.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

We are a smaller reporting company as defined by Rule 12b-2 of the Securities Exchange Act of 1934 and are not required to provide the information under this item.

Item 4. CONTROLS AND PROCEDURES

Our management evaluated the effectiveness of our disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, or the Exchange Act, as of the end of the period covered by this report. Our management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. The disclosure controls and procedures have been designed to provide reasonable assurance of achieving their objectives and the Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures are effective at the "reasonable assurance" level. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the disclosure controls and procedures were effective to ensure that information required to be disclosed in the reports that we file and submit under the Exchange Act is (1) recorded, processed, summarized and reported within the time periods specified in the Commission's rules and forms; and (2) accumulated and communicated to the Company's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. In making this assessment, the Company used the framework established in *Internal Control - Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

There have been no changes in our internal control over financial reporting identified in connection with the evaluation that occurred during our last fiscal quarter that has materially affected, or that is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS. None.

Item 1A. RISKS FACTORS.

You should read the following factors in conjunction with the factors discussed elsewhere in this and our other filings with the Securities and Exchange Commission and in materials incorporated by reference in these filings. The following is intended to highlight certain factors that may affect the financial condition and results of operations of Biomerica, Inc. and are not meant to be an exhaustive discussion of risks that apply to companies such as Biomerica, Inc. Like other businesses, Biomerica, Inc. is susceptible to macroeconomic downturns in the United States or abroad, as were experienced in recent history that may affect the general economic climate and performance of Biomerica, Inc. or its customers.

Aside from general macroeconomic downturns, the additional material factors that could affect future financial results include, but are not limited to: Terrorist attacks and the impact of such events; diminished access to raw materials that directly enter into our manufacturing process; shipping labor disruption or other major degradation of the ability to ship out products to end users; inability to successfully control our margins which are affected by many factors including competition and product mix; protracted shutdown of the U.S. border due to an escalation of terrorist or counter terrorist activity; any changes in our business relationships with international distributors or the economic climate they operate in; any event that has a material adverse impact on our foreign manufacturing operations may adversely affect our operations as a whole; failure to manage the future expansion of our business could have a material adverse effect on our revenues and profitability; possible costs or difficulty in complying with government regulations and the delays in receiving required regulatory approvals or the enactment of new adverse regulations or regulatory requirements; numerous competitors, some of which have substantially greater financial and other resources than we do; potential claims and litigation brought by patients or medical professionals alleging harm caused by the use of or exposure to our products; quarterly variations in operating results caused by a number of factors, including business and industry conditions; concentrations of sales with certain distributors, which have been increasing, could adversely affect the results of the Company if the Company were to lose the sales of that distributor and other factors beyond our control; high balances carried on accounts receivables from concentrated customers; and the costs of recalls, should such occasion arise. All these factors make it difficult to predict operating results for any particular period.

Item 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS. None.

Item 3. DEFAULTS UPON SENIOR SECURITIES. None.

Item 4. MINE SAFETY DISCLOSURES. None.

Item 5. OTHER INFORMATION. None.

Item 6. EXHIBITS.

The following exhibits are filed or furnished as part of this quarterly report on Form 10-Q:

Exhibit No.	Description
31.1*	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act Zackary S. Irani
31.2*	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act Janet Moore
32.1*	Certification Pursuant to Section 906 of the Sarbanes-Oxley Act Zackary S. Irani
32.2*	Certification Pursuant to Section 906 of the Sarbanes-Oxley Act Janet Moore

101 Interactive data files pursuant to Rule 405 Regulation S-T, as follows:

101.INS-XBRL Instance Document

101.SCH-XBRL Taxonomy Extension Schema Document

101.CAL-XBRL Taxonomy Extension Calculation Linkbase Document

101.DEF XBRL Taxonomy Extension Definition Linkbase Document

101.LAB-XBRL Taxonomy Extension Label Linkbase Document

101.PRE-XBRL Taxonomy Extension Presentation Linkbase Document

* Filed herewith

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has fully caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

BIOMERICA, INC.

Date: April 14, 2015	By:/S/ Zackary S. IraniZackary S. IraniChief Executive Officer(Principal Executive Officer) Date: April 14, 2015By: /S/ Janet MooreJanet MooreChief Executive Officer(Principal Financial Officer)

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